

# **Working Capital Fund Board**

## **Minutes of the Meeting**

### **November 14, 2006**

#### **I. Introductions**

The Board Chair, Howard Borgstrom, called the meeting to order. The Chair introduced Carl Staton, Deputy Chief Information Officer.

#### **II. Recognition of Louis D'Angelo**

The Chair recognized the contributions of Louis D'Angelo III. He presented Louis with a plaque that reads; *"The Working Capital Fund Board commends Louis D'Angelo for his years of dedicated service to the DOE Headquarters community, including ten years of successful management of the WCF Building Occupancy Business. We appreciate your commitment to your customers and your effective leadership. Congratulations and best wishes on your retirement"*, signed by Howard Borgstrom

*"Thank you for all the years of dedicated service, friendly disposition, and always working with the programs to solve problems. We wish you the best in retirement. You will be missed."* Lesley Gasperow and your friends in Health, Safety and Security

Steve Durbin (the lone remaining board member from 1996) added: *"When we were forming the Working Capital Fund, Louis participated in the process for charging rent to the programs. The resulting pricing policy has been proven to work over the intervening years. I commend Louis for being an outstanding manager."*

#### **III. Approval of Minutes of the May 17, 2006 meeting.**

The Board approved the minutes of the May 17 meeting without comment.

#### **IV. FY 2006 Annual Report**

The financial condition of the Fund is sound. Over the ten years of Fund operation, earnings (\$ 892 million) have exceeded expenses by \$13.8 million, a narrow margin of less than two percent. The total net position is stronger, due to paid in capital and initial property, and we also have cash from customer advances. Individual businesses within the Fund experience fluctuations in net earning performance on an annual basis, but all of our businesses are solvent and exhibit break even operating performance on a cumulative basis. [This report, as well as the two analyses below, is available on [www.wcf.doe.gov](http://www.wcf.doe.gov) .]

## **V. Other Reports**

### **a. Economic Analysis**

Howard presented his economic analysis of the efficiencies gained from ten years of WCF operations. The success of the Fund is illustrated by an estimated \$192 million (FY 2000 dollars) cost savings to the Department in ten years, reflecting over 20% savings from pre-Fund levels on an apples-to-apples basis<sup>1</sup>. This represents nominal (as spent) dollar savings of \$77 million. This savings is due in large measure from the efforts of customer organizations to use the market-like incentives in the Fund pricing policies to reduce their consumption of services.

### **b. Indirect Cost Analysis**

In response to the 1997 Inspector General report, Fund management agreed to provide a report to the Board that identifies Working Capital Fund business costs not now reflected in the Working Capital Fund pricing structure ... [including] the hypothetical impacts on business line viability of including such costs in the Fund pricing structure. The first report was transmitted to the Board on June 30, 1998.

This current report updates the information in the previous eight reports and summarizes areas of change. From FY 2005 to FY 2006 Indirect Costs decreased from 14% to 13% (12% without eXCITE) as a percentage of revenues. The change in percent was due to staffing declines in Building Occupancy and the Fund Manager. The decrease is offset, in part, by including eXCITE charges in this analysis for the first time. This analysis shows that the level of subsidy by parent organizations and related reduction to the full cost of WCF businesses is approximately \$13 million.

## **VI. WCF Governance Issues**

The Board suggested that the Chair approach the Office of Electricity Delivery and Energy Reliability to determine its interest in joining the Board. If there is no interest, then, the Board composition is adequate as it currently exists.

## **VII. Working Group Status Reports**

### **a. Changes in Customer Billing**

The Board voted to change the billing processes of the WCF monthly bill to record program obligations to the fund at one budget and reporting code (bnr) and one related contract identification number (cid), and to record costs at the same

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<sup>1</sup> .This is based on a comparison of average annual Fund billings to the costs of comparable businesses prior to Fund creation.

level in STARS. The fund manager will use the respective payroll bnr for each program, ending in 150, because every customer uses this bnr.

The fund manager will retain the same level of information that has been reported monthly in the monthly bill, Tables I, II, III, and IV, and attached excel pivot bill. Detailed records of related transactions will continue to be maintained in the subsidiary systems that produce the monthly bill. Access to detailed information related to all WCF transactions will be maintained at historical levels.

Current customer uncoded balances will remain at the business line level until consumed. All future obligations to the WCF will be to one bnr/cid. This change will cause no delay in recording obligations or costs to the programs, and will not reduce the current funding flexibilities that we extend to program customer accounts.

## **b. Phone Upgrade**

Harry Hixon addressed this issue with the Board. The CIO has sought \$5 million in the FY 2008 Corporate Management Improvement Program budget to finance the telephone upgrade. He indicated that there is a need to perform some preliminary upgrades to the phone infrastructure and wants to engage contractual support for planning power needs of the new phone system. The Board expressed an interest to hear more about the plans to upgrade the phone system.

## **VIII. Proposed Working Groups**

The Board agreed to establish a working group to examine the need to add the cost of Oak Ridge financial operations to the WCF.

## **IX. The Board voted to Adjourn.**

### **Representing the Board**

Chair Howard Borgstrom  
SSA Rick Updegrove  
EM Barry Gaffny  
NE Lang Soo Hoo  
SC Vicki Barden  
EI Steve Durbin

GC Susan Beard  
MA Kevin Kelly  
IM Carl Staton  
NA Teresa Tyner  
FE Maria Jones

### **Attendees:**

Warren Huffer – CF  
Gerard Pinkney – MA  
Gretel Pinkney – HR  
Tanya Luckett – HR

Harry Hixon - IM  
Walter Kennedy - IM  
Bob Emond - CF  
Ronald Mayo - CF

Draft

Debra Thornton - EI  
Louis D'Angelo – Retired  
Kevin Cooke - IM  
Tony Nellums – MA  
Mary Anderson – MA  
Linda Johnson – CF  
Deborah Black - MA  
Steven Rossi - MA  
Willie Mae Ingram – MA  
Dallas Woodruff - MA  
Rebecca Neal - PA  
Janet Freimuth – IG  
Mike Saltzman – CF  
Joann Luczak – CF  
John Bullock – IM  
Mike Michaelis - NA  
John Shea – ED  
Vera Dunmore – CF  
Michael Wolfe – MA  
Michael Shincovich - MA  
Kevin Hagerty - CF